AIR POUCH
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE
845 R.2614/9-656
XR
845 R.10

FOREIGN SERVICE DESPATCH

DECLASSIFIED

FROM : Embassy London

DEPARTMENT OF STATE AIRGRAM

NO. 615

TO REVIEWED BY THE DEPARTMENT OF STATE, WASHINGTON.

DATE September 6, 1956

REF PORTIONS DENIED AS INDICATED

For Dept. Use Only	ACTION	DEPT.
	NEA-4	REP-2 RM/R-2 E-5 EUR-5 ICA-16 OIT-6
	REC'D 9-8	INFO OTHER XMB-3 Com-10 IR-3 FRB-2 IN-7 CIA-6

SUBJECT: Volta River Scheme.

1956 SEP 7 PM 3 38

RM/R Central Files CABLE CENTER

This Document Must Be Returned to RM/R

845K.2614/9-656

CONFIDENTIAL FILE

1. [redacted] further official British consideration of the Volta River scheme is in abeyance pending the outcome of the World Bank Mission's current visit to the Gold Coast. It now seems increasingly clear that, unless the World Bank is prepared to make a significant contribution to the project, the British Government will do its best to withdraw as tactfully as possible from this very expensive project.

In retrospect, it appears that British enthusiasm for the Volta River scheme and readiness to back it financially have been cooling ever since the Government's White Paper on the subject was issued in 1952. In April of this year when officials of the Colonial Office, the Board of Trade and the Treasury examined the Preparatory Commission's report on the scheme, they were alarmed to note that estimated costs for all stages of the project had jumped from £144 million in 1952 to £231.3 million, or to £309 million if allowance is made for an anticipated further 45 percent increase in costs before work is completed. Even more unsettling was the view of the British and Canadian aluminum companies that they would require a long-term guarantee of the price of the electric power they would consume rather than the previous cost-plus formula.

In the spring informal agreement was reached among the British Government, the Gold Coast Government and the aluminum companies that outside financing would be required and that the World Bank was the only likely source, the thought being that the United States was unlikely to contribute directly to financing a sterling bloc source of aluminum. Until the Bank completed its present preliminary survey of the scheme and decided whether to undertake a more detailed study, the interested parties would mark time. The aluminum companies were to prepare studies of the profitability of operations at varying prices of electric power as well as the profitability of operations in the Gold Coast in comparison with other areas in which they were interested. They would also recompute their estimates on future demand for aluminum. The Gold Coast would re-examine the project in the light of (a) lower cocoa prices, (b) the rest of its development program and (c) the degree of political support for a project involving such a tremendous expenditure. Neither at the April meetings nor subsequently has there been any attempt to apportion the financial burden for the scheme among the three interested parties as was done in 1952.

[redacted]

B1 EB

RMC

DECLASSIFIED

POL/F-PRutter:ms
REPORTER

CONFIDENTIAL

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

[redacted] B1 GB

Should, however, the Gold Coast Government decide to go ahead and solicit British assistance, HMG would probably have to make some token contribution, though in view of the UK's present financial difficulties this would be difficult to arrange. Doubtless the British would be prepared to evince more interest if the scale of the project could be reduced or its construction strung out over a longer period, for example, by building the dam and smelter and importing bauxite from Jamaica. One other political development could influence the British view substantially, namely, a Soviet offer to help. [redacted] judged that Britain might undertake a considerable sacrifice to keep the Soviets out of West Africa. B1 EB

For the Chargé d'Affaires, a.i.:

Peter Rutter

Peter Rutter
First Secretary of Embassy

Approved:

Edwin W. Martin

Edwin W. Martin
First Secretary of Embassy

cc: Accra

DECLASSIFIED